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UNITED STATES GENERAL ACCOUNTING OFFICE  
REGIONAL OFFICE  
ROOM 403, U.S. CUSTOMHOUSE, 610 SOUTH CANAL STREET  
CHICAGO, ILLINOIS 60607



SEP 8 1971

Mr. F. R. Cordon, Vice President  
Sundstrand Corporation  
4747 Harrison Avenue  
Rockford, Illinois 61101

Dear Mr. Cordon:

Enclosed is a copy of our report to the Commander, Naval Air Systems Command, Washington, D.C., on the pricing of selected negotiated contracts for F4 and A7 constant speed drives awarded to Sundstrand Aviation, Sundstrand Corporation.

The information contained in this report may ultimately be included in a report to the Congress. Therefore, we would appreciate receiving a written reply within 30 days expressing your views and comments on the matters discussed in the enclosed report.

Very truly yours,

*M. R. Wolfson*  
M. R. Wolfson  
Regional Manager

Enclosure

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UNITED STATES GENERAL ACCOUNTING OFFICE  
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CHICAGO, ILLINOIS 60607

Rear Admiral T. J. Walker  
Commander, Naval Air Systems Command  
Department of the Navy  
Washington, D.C. 20360

Dear Admiral Walker:

We recently completed a review of the pricing and administration of selected negotiated firm fixed-price contracts totaling about \$24 million for constant speed drives awarded on a noncompetitive basis to Sundstrand Aviation Division, Sundstrand Corporation, Rockford, Illinois, by the Naval Air Systems Command, Washington, D.C.

Our examination was part of a continuing review of the implementation of the provisions of Public Law 87-653 as provided for by the Armed Services Procurement Regulations. In this regard, our examination was directed primarily toward ascertaining the reasonableness of estimated costs used to negotiate contract prices in relation to cost or pricing data available to the contractor at the time of negotiation.

The contracts discussed in this report are shown in appendix I. These contracts include a defective pricing clause that provides for decreasing the contract price if the Government determines that the price was significantly increased because cost or pricing data submitted were not accurate, complete, or current.

The Defense Contract Administration Services Office (DCASO), Rockford, Illinois, and the Chicago Branch Office of the Defense Contract Audit Agency (DCAA) are responsible for contract administration and auditing activities, respectively. Prior to negotiation of prices DCASO performed a technical evaluation and price analysis and DCAA performed an audit of the contractor's price proposals. In addition, DCAA performed a post-award audit on contract -0083, but did not question any of the proposed costs.

### BACKGROUND

Sundstrand Aviation Division is primarily engaged in the design, development, and production of constant speed drives and related spare parts for aircraft electrical systems. Other activities include underwater propulsion systems, vehicular transmission systems, and missile and space power systems.

The Division maintains a job order cost system to accumulate material, labor, and related overhead costs incurred in the production of component parts. When a work-in-process work order is completed the quantity and work order costs of the fabricated item are transferred to finished parts inventory. From finished parts inventory, parts or subassemblies are transferred, on a first-in, first-out basis, to final assembly work orders on which the contractor accumulates all material and labor costs. These historical costs generally form the basis for the contractor's proposed material and labor.

### SUMMARY OF FINDINGS

We found that contract prices were higher by \$1,068,000 than that indicated by current information available. Our findings, which are discussed below, are summarized by contract in appendix II.

Contractor's nondisclosure of:

Difference in production costs for the F4B and F4C drive	\$ 106,000
Pension and insurance overaccruals	668,000

Contractor's use of noncurrent data for changes from buy to make adjustments	106,000
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Contracting officer's improper applica- tion of labor and burden rates	<u>188,000</u>
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Total	<u><u>\$1,068,000</u></u>
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NONDISCLOSURE OF DIFFERENCE IN PRODUCTION COSTS FOR THE F4B AND F4C DRIVE

Our review indicated that the negotiated prices for contracts -0176, -0083, and -0174 were higher by about \$106,000 than that indicated by actual cost data, as shown in appendix III, primarily because the contractor did not disclose the difference in production costs for the F4B and F4C drives.

Contracts for the F4B and F4C drives have been consistently proposed and negotiated at one unit price. The contractor's price proposals were based on historical material costs, adjusted for price increases, and production labor hours shown on completed work orders. In its proposals, Sundstrand specifically identified the work orders used and the related material costs, labor hours, and projected hourly labor rates. Although Sundstrand experienced different costs to manufacture each type of drive, this was not apparent from the proposals because Sundstrand did not identify work orders by type of drive.

We reviewed the work orders identified in Sundstrand's proposals and found differences between recorded material costs and labor hours for the two types of drives. For example, the work orders listed by the contractor in its proposal and used by the contracting officer to establish a negotiation base for contracts -0176, -0083, and -0174 showed the following cost differences between the drives.

<u>Contract</u>	<u>Drive type</u>	<u>Direct material</u>	<u>Direct labor</u>	
			<u>Hours</u>	<u>Cost</u>
-0176	F4B	\$ 904	150	\$516
"	F4C	<u>900</u>	151	<u>519</u>
	Cost difference	<u>\$ 4</u>		<u>\$( 3)</u>
-0083	F4B	\$ 904	166	\$606
"	F4C	<u>827</u>	166	<u>606</u>
	Cost difference	<u>\$ 77</u>		<u>\$-0-</u>
-0174	F4B	\$1,025	197	\$930
"	F4C	<u>861</u>	191	<u>902</u>
	Cost difference	<u>\$ 164</u>		<u>\$ 28</u>

The effect of these cost differences in the contract prices is shown on appendix III.

Further, our review of 4 year's production covering about 100 work orders and 6,000 units showed that costs for the F4B drive were higher than the F4C by an average of \$142 in material costs and 5 hours of labor. Also, our review of Sundstrand's proposals and the Government's evaluations showed that the quantity ratios, by type of drive, were not consistent with the contract ratio. The varying quantity ratios are illustrated by Sundstrand's March 1968 proposal for definitizing contract -0083 and the Government's evaluations thereof as shown below.

	<u>Type of drive</u>	
	<u>F4B</u>	<u>F4C</u>
Contract ratio	<u>30</u>	<u>70</u>
Sundstrand's proposal	60	40
DCAA evaluation	38	62
DCASO evaluation	6	94
Navy negotiation base	53	47

As shown, varying ratios, none of which agreed with the contract ratio, were used in evaluating Sundstrand's proposal. Similarly, the base used by the Navy was disproportionately weighted with the higher cost F4B drives. We attribute the different ratios to the judgmental selection of work orders by Government officials for use in determining what might constitute a reasonable price without evaluating the accuracy, currency, and completeness of the data submitted by the contractor.

We were informed by the DCASO Administrative Contracting Officer (ACO) and price analyst that they were aware of some technical differences between the two drives but they had been assured by a DCASO engineer that the differences were insignificant; accordingly, they considered the drives to be the same for pricing purposes.

DCAA officials responsible for pre-award audits at Sundstrand informed us that they were unaware of any cost difference between the drives until we brought this matter to their attention. DCAA performed a post-award audit on contract -0083 and found no defective pricing.

We discussed the cost difference with contractor officials and furnished them with copies of our workpapers showing our computations. Contractor officials informed us that it was common

knowledge at Sundstrand that there was a cost difference between the F4B and F4C drive and that this information had been furnished to the Navy. These officials stated that Sundstrand has consistently used the latest F4B/C work order history in its proposals and has always negotiated one unit price for both types of drive. This method, according to Sundstrand officials, has been accepted by the Government without question.

### Conclusion

We believe that the prices negotiated for contracts -0176, -0083, and -0174 were higher than that indicated by currently available information. Had Sundstrand disclosed, in its proposals, costs by type of drive, the Navy would have been in a position to negotiate lower prices totaling at least \$106,000.

### PENSION AND INSURANCE OVERACCRUALS

The burden rates proposed and negotiated for contracts -0083 and -0088 contained pension and insurance overaccruals which we estimate increased contract prices by at least \$668,000 as shown in appendix IV. Our review of the pension and insurance accounts indicated that data was available to the contractor which should have been disclosed and used to determine appropriate adjustments to the burden expense pools at the time of contract negotiations.

Historically, the corporate office (1) determined the bases for pension and insurance accruals at the beginning of each year, (2) recorded interim adjustments to the accruals, and (3) recorded final adjustments for the accruals at the end of each year. The corporate office either distributed the final adjustments to the divisions or maintained them on corporate books. In either case, Sundstrand did not consider the accrual adjustments in the burden rates proposed for contracts -0083 and -0088.

The divisions accrue pension expenses monthly and pay once a year, after the corporate office had determined the needs of the various pension funds. For the years 1967 through 1970, the corporate office determined that the needs of the pension funds were significantly lower than the amounts accrued.

The divisions are billed monthly and pay to the corporate office their share of the total insurance accruals. Since the corporate office paid into the insurance funds only those amounts considered necessary to meet actual expenses, large reserve balances accumulated in the accounts.

Contracts -0083 and -0088 were negotiated in October 1968. The records of negotiation show that the Navy negotiator relied on actual burden rates, as submitted by the contractor. Included in the material handling, manufacturing burden, and operating expense pools were the unadjusted accrued expenses for pensions and insurance. Data available to the contractor, which we believe should have been disclosed to the Government and considered in negotiations includes:

1. A corporate adjustment, as of June 30, 1968, reducing pension and insurance expenses by \$1.5 million;
2. Large reserves in the health and life insurance accounts;
3. Quarterly balance sheet reports for the various pension funds; and
4. Significant reductions of pension and insurance expenses at year-end 1967.

We computed rates for a 12-month period, giving consideration to the adjustments made at year-end 1967 and the accruals made for a period of 1968. The following table illustrates the proposed, negotiated and GAO calculated rates.

	<u>Proposed as actual</u>	<u>Negotiated</u>	<u>GAO</u>
Material handling	6.4%	5.9%	5.7%
Manufacturing burden	375.4%	366.0%	345.0%
Applied production	10.6%	10.1%	10.1%
Inventory loss	2.8%	2.8%	2.8%
Operating expense	27.6%	19.0%	17.9%

The reductions from proposed to negotiated rates were detailed in the records of negotiation.

DCAA became aware of the pension and insurance overaccruals in 1969 and subsequently issued two defective pricing reports to the Air Force. In April 1971, DCAA also issued one general report on the overaccruals to other Government activities doing business with Sundstrand.

The contractor contends that neither disclosure nor adjustment for the overaccruals was warranted due to the following factors:

1. Uncertainty of pension fund earnings which affect the amount of the company's contribution; and
2. The corporate reduction of pension and insurance expenses by \$1.5 million was merely an income leveling action and had no relationship to pensions or insurance.

### Conclusions

We do not agree with the contractor that neither disclosure nor adjustment was warranted. We believe that had the contracting officer been aware of the overaccruals, adjustments to the burden pools might have been negotiated which would have lowered contract prices by at least \$668,000. In addition, we believe that Sundstrand should adopt a consistent procedure whereby interim or year-end corporate adjustments affecting the pension and insurance accruals are distributed to the divisions, and recorded in the related expense accounts. In this way, allocations of these expenses to Government contracts will be consistent and reasonable.

### USE OF NONCURRENT DATA FOR CHANGES FROM BUY TO MAKE ADJUSTMENTS

Sundstrand proposed a change in pricing of four parts required for the drives produced under contracts -0083 and -0088. The proposals indicated that these parts were previously purchased and that they would be manufactured in-house for these contracts. Our review indicated that the cost data supporting the proposed changes were not representative of anticipated costs and that contract prices were about \$106,000 higher than indicated by currently available information, as shown in appendix V. Details of the adjustments relating to the changes from buy to make, by contract, are discussed below.

#### Contract -0083

Sundstrand proposed a change from buy to make for two parts - the carrier shaft (part number 696862) and the center plate (part number 697195A). This change, based on one work order each for



the purchased and manufactured costs, reduced proposed and negotiated material by \$177 and increased labor by 8 hours. Our analysis of the work orders showed that they were not the most current available. In addition, we found that the center plate had been manufactured; hence, a change in pricing was not warranted.

Our review showed that by utilizing the most current buy and make costs for the carrier shaft, a pricing adjustment, reducing material by \$158 and increasing labor 6 hours, would have been appropriate. Use of the more current data would have resulted in a contract price decrease of about \$36,600.

Contract -0088

Sundstrand proposed a change from buy to make for two parts - the input and output housings - part numbers 698213A and 699189, respectively. In its proposal, Sundstrand deleted the costs for these parts and, on the basis of costs from two other work orders presented by Sundstrand as representative, added \$342 for material and 24 hours for labor to the net historical base. Our analysis of more current work orders showed that \$336 material and 21 hours for labor should have been added to the net historical costs. We recognize that the more current work orders are heavily weighted with salvage and rework costs; however, had Sundstrand used the more current work orders in its proposals the contract price might have been reduced by about \$69,300.

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We discussed the pricing of the changes from buy to make with DCASO and DCAA officials. DCASO officials informed us that their price analysis would include an evaluation of data submitted by Sundstrand but would not include audits of such data. DCAA officials offered no specific comments.

We also discussed the change from buy to make with contractor officials and furnished them with copies of our workpapers showing the results of our review. Contractor officials indicated that the facts were accurately presented; however, they did not concur with our conclusions.

## Conclusions

We believe that the use of noncurrent data to support changes from buy to make by the contractor and its acceptance by DCASO and DCAA resulted in increased costs of about \$106,000 to the Government. Further, we believe it is incumbent upon the contractor to assure itself that costs submitted as representing changed production methods are based on current and reliable data.

## CONTRACTING OFFICER'S APPLICATION OF IMPROPER LABOR AND BURDEN RATES

Our review of the Navy's record of negotiations showed that the price negotiated for contract -0176 included estimated labor and burden costs that were higher than indicated by current information available. The record shows that, in arriving at the negotiated price, the Navy negotiators used hourly labor rates and burden rates that were applicable to the period of delivery instead of the period of production. We believe that the negotiator's failure to use the appropriate labor and overhead rates in negotiations may have resulted in increased costs of about \$188,000 as shown in appendix VI.

Contract -0176 provided for delivery of 1,203 drives, 55 percent in 1967 and 45 percent in 1968. The Navy's record of negotiations states that the negotiated rates applicable to production of the drives are based on composites of bidding rates negotiated by the Administrative Contracting Officer for each of calendar years 1967 and 1968 adjusted to reflect delivery of 55 percent in 1967 and 45 percent in 1968.

We found that the contract delivery schedule required a production effort of 88 percent during 1967 and 12 percent in 1968. Therefore, we believe that the composites of ACO negotiated bidding rates should have been adjusted to properly reflect production effort.

We discussed the application of labor and burden rates on the basis of the delivery schedule with Navy officials responsible for the procurement. These officials agreed that labor and burden rates should be applied over the production period since this is when the costs are incurred. The officials could not, however, provide any explanation for applying the labor and burden rates over the period of delivery.

Conclusions

We believe that negotiated labor and burden rates should be applied over the period of production effort rather than the delivery period. Application of the rates based on the production period might have resulted in a cost decrease of about \$188,000 under contract -0176.

Recommendation

We recommend that you consider our findings, as well as any additional information, to determine whether or not the Government is legally entitled to a price adjustment with respect to these procurements.

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We would appreciate a written reply within 30 days expressing your views and comments on the matters discussed herein. Our staff will be made available should you require any further details.

Copies of this report are being sent to the Comptroller of the Navy; the Director, Defense Contract Audit Agency; the Regional Manager, Defense Contract Audit Agency, Chicago; the Commander, Defense Contract Administration Services Region, Chicago; and the Vice President, Sundstrand Aviation Division, Sundstrand Corporation.

Sincerely yours,

*M. R. Wolfson*  
M. R. Wolfson  
Regional Manager

Enclosures

APPENDIX I

SUMMARY OF NEGOTIATED CONTRACTS

INCLUDED IN GAO REVIEW

Contract	Award date	Definition date (note a)	Item	Amount (note b)	Delivery period
NO0019-67-C-0176	Nov. 15, 1966	Sep. 30, 1967	F4-B/C drives	\$ 5,894,700	Jul. 1967 - Apr. 1968
NO0019-68-C-0083	Oct. 25, 1967	Mar. 25, 1969	F4-B/C drives	10,377,150 <sup>c</sup>	Jun. 1968 - May 1970
NO0019-68-C-0088	Oct. 25, 1967	May 1, 1969	A7 drives	5,196,168	Sep. 1968 - Apr. 1971
NO0019-71-C-0174	Dec. 14, 1970	-	F4-B/C drives	2,723,100	Dec. 1970 - Jan. 1973
Total				\$24,191,118	

<sup>a</sup>Applies only to letter contracts.

<sup>b</sup>Does not include ancillary items.

<sup>c</sup>Does not include modification Nos. 11 and 17.

SUMMARY OF INCREASED  
PRICES BY CONTRACT

<u>Contract</u>	<u>Total</u>	<u>Increased prices due to</u>			
		Nondisclosure of difference in production costs (App III)	Nondisclosure of pension and insurance overaccruals (App IV)	Use of noncurrent data for changes from buy to make (App V)	Application of improper labor and burden rates (App VI)
-0176	\$ 205,976	\$ 18,288	\$ -	\$ -	\$187,688
-0083	546,435	64,582	445,256	36,597	-
-0088	292,388	-	223,096	69,292	-
-0174	<u>23,375</u>	<u>23,375</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$1,068,174</u></b>	<b><u>\$106,245</u></b>	<b><u>\$668,352</u></b>	<b><u>\$105,889</u></b>	<b><u>\$187,688</u></b>

GAO ANALYSIS OF INCREASED CONTRACT PRICES DUE TO  
NONDISCLOSURE OF DIFFERENCE IN PRODUCTION COSTS FOR THE F4B AND F4C DRIVE

	N000-19-67-C-0176				N00019-71-C-0174					
	Negotiated		GAO analysis		Negotiated		GAO analysis			
	Rate	Amount	Rate	F4B	F4C	Rate	Amount	Rate	F4B	F4C
Direct material		\$ 902		\$ 904	\$ 900		\$ 895		\$1,025	\$ 861
Material escalation		-		-	-	7.6%	68	7.6%	78	65
Material handling	6.89%	902	6.89%	904	900	8.6%	963	8.6%	1,103	926
		62		62	62		83		95	80
Direct labor	151@ \$3.44	964	150@ \$3.44	966	962	192@ \$4.72	1,046	197@ \$4.72	1,198	1,006
		519	151@ \$3.44	516	519		906	191@ \$4.72	930	902
Ind. Mfg. cost	323.7%	1,682	323.7%	1,670	1,680	369.2%	3,345	369.2%	3,434	3,330
Applied production cost	11.58%	3,165	11.58%	3,152	3,161	14.5%	5,297	14.5%	5,562	5,238
		367		365	366		768		806	760
Burden variation	4.12%	3,532	4.12%	3,517	3,527		6,065		6,368	5,998
		145		145	145		-		-	-
Inventory losses	2.1%	3,677	2.1%	3,662	3,672	4.6%	6,065	4.6%	6,368	5,998
		77		77	77		279		293	276
Operating expense	17.08%	3,754	17.08%	3,739	3,749	20.3%	6,344	20.3%	6,661	6,274
		641		639	640		1,288		1,352	1,274
Profit	11.47%	4,395	11.47%	4,378	4,389	14.0%	7,632	14.0%	8,013	7,548
		505		502	503		1,068		1,122	1,057
Contract price		\$4,900		\$4,880	\$4,892		\$8,700		\$9,135	\$8,605
Units		1,203		722	481		313		12	301
Total contract price		\$5,894,700		\$3,523,360	\$2,353,052		\$2,723,100		\$109,620	\$2,590,105
Total GAO calculated price		5,876,412		2,699,725		2,699,725		2,699,725		2,699,725
Total increased prices		\$ 18,288					\$ 23,375			

GAO analysis  
NONDISCLOSURE OF DIFFERENCE IN PRODUCTION COSTS FOR THE F4B AND F4C DRIVE

NO00019-68-C-0083

	Negotiated		Basic contract		GAO analysis	
	Rate	Basic contract	Rate	F4B	F4C	Modifications
Direct material						
Material escalation	3.0%	\$ 867 26	3.0%	\$ 904 27	\$ 827 25	\$ 904 27
Material handling	5.9%	893 53	5.9%	931 55	852 50	931 55
Direct labor	166@3.65	946 606	166@3.65	986 606	902 606	986 606
Ind. mfg. cost	366.0%	2,218	366.0%	2,218	2,218	2,218
Applied production cost	10.1%	3,770 381	10.1%	3,810 385	3,726 376	3,810 385
Burden variation		4,151		4,195	4,102	4,195
Inventory losses	2.8%	4,151 116	2.8%	4,195 117	4,102 115	4,195 117
Operating expense	19.0%	4,267 811	19.0%	4,312 819	4,217 801	4,312 819
Profit Escalation for 1969 qty.	15.1% 3.0%	5,078 766	15.1% 3.0%	5,131 775	5,018 758	5,131 775
Contract price		\$5,844		\$5,906	\$5,776	\$6,083
Units		892		271	621	156
Total contract price		\$5,212,848		\$1,600,526	\$3,586,896	\$948,948
Total GAO calculated price		5,187,422		5,125,146		\$4,176,198
Total increased prices		\$ 25,426		\$ 39,156		
Contract increase		\$64,582				





INCREASED PRICES ATTRIBUTABLE TO USE OF  
NONCURRENT DATA FOR CHANGES FROM BUY TO MAKE ADJUSTMENTS

	N00019-68-C-0083				N00019-68-C-0088				Total Increased price
	Basic contract Material	Labor	Modifications Material	7,8,& 9 Labor	Basic contract Material	Labor	Modifications Material	& options Labor	
Sundstrand's adjustment-(decrease)	\$ (177)	8 hrs.	\$ (177)	8 hrs.	\$ 342	24 hrs.	\$ 342	24 hrs.	
Adjustment as shown by representative work orders	(158)	6 hrs.	(158)	6 hrs.	336	21 hrs.	336	21 hrs.	
Effect on negotiated price increase, (decrease)	(19)	\$7.30	(19)	\$7.30	6	\$10.95	6	\$10.95	
Quantity procured	892	(2 hrs.@\$3.65)	858	(2 hrs.@\$3.65)	376	(3 hrs.@\$3.65)	384	(3 hrs.@ \$3.65)	
Total	\$ (16,948)	\$ 6,512	\$ (16,302)	\$ 6,263	\$ 2,256	\$ 4,117	\$ 2,304	\$ 4,205	
Material escalation-3% increase	(508)	-	(489)	-	(68)	-	(69)	-	
3% decrease	-	-	-	-	-	-	-	-	
Subtotal	\$ (17,456)	\$ 6,512	\$ (16,791)	\$ 6,263	\$ 2,188	\$ 4,117	\$ 2,235	\$ 4,205	
Material handling	(1,030)	23,834	(991)	22,923	129	15,068	132	15,390	
Burden 366%	-	-	-	-	-	-	-	-	
Subtotal	(18,486)	30,346	(17,782)	29,186	2,317	19,185	2,367	19,595	
Applied production cost 10.1%	(1,867)	3,065	(1,796)	2,948	234	1,938	239	1,979	
Subtotal	(20,353)	33,411	(19,578)	32,134	2,551	21,123	2,606	21,574	
Inventory loss 2.8%	(570)	936	(548)	900	71	591	73	604	
Subtotal	(20,923)	34,347	(20,126)	33,034	2,622	21,714	2,679	22,178	
Operating expense 19%	(3,975)	6,526	(3,824)	6,276	498	4,126	509	4,214	
Subtotal	(24,898)	40,873	(23,950)	39,310	3,120	25,840	3,188	26,392	
Profit 15.1% -0083	(3,760)	6,172	(3,616)	5,936	518	4,289	529	4,381	
Escalation 1969 Qty. 3%	-	-	(827)	1,357	-	-	112	923	
Total effect, increase (decrease)	\$ (28,658)	\$47,045	\$ (28,393)	\$46,603	\$3,638	\$30,129	\$3,829	\$31,696	
Contract increase		\$36,597				\$69,292			\$105,889

## INCREASED COSTS ATTRIBUTABLE TO

## APPLICATION OF IMPROPER LABOR AND BURDEN RATES

CONTRACT N00019-67-C-0176

	Negotiated		GAO calculated	
	Rate	Amount	Rate	Amount
Negotiated material		\$ 881		\$ 881
Escalation factor	2.3%	21	2.3%	21
Subtotal		902		902
Material handling	6.89%	62	7.19%	65
Direct labor	151 hrs @ \$3.44	519	151 hrs @ \$3.36	507
Burden	323.7%	1,682	301.9%	1,531
Subtotal		3,165		3,005
Applied production cost	11.58%	367	11.16%	335
Subtotal		3,532		3,340
Burden variation	4.12%	145	6.60%	220
Subtotal		3,677		3,560
Inventory losses	2.1%	77	2.1%	75
Subtotal		3,754		3,635
G & A	17.08%	641	17.08%	621
Subtotal		4,395		4,256
Profit	11.47%	505	11.47%	488
Unit selling price		\$ 4,900		\$ 4,744
Units		1,203		1,203
Total negotiated		\$5,894,700		\$5,707,032
GAO calculated		5,707,032		5,707,032
Increased costs to Government		\$ 187,668		